Suddenly the economic scene in Germany began to change. After a decade of economic expansion, a crisis arose, and at once I again found myself in the middle of political controversy.

THE GREAT DEPRESSION IN GERMANY

Germany's great depression began as a part of the world-wide economic setback in 1929, but it was aggravated by the disastrous economic policy of the government.

At first people were not very much concerned about falling prices and inching-up unemployment. Official unemployment statistics in Germany were based on the reports of the labor unions on the percentage of unemployment among their members. The rate averaged 8 to 9 per cent in 1927-28 and rose to 13 per cent in 1929—the same level as in the United States a year later. I rearranged the federation's unemployment statistics to segregate the industries with seasonal fluctuations in employment from those in which unemployment reflected changing business conditions, and in this way obtained seasonally adjusted unemployment figures. Early in 1930, we in the ADGB became alarmed by the continuous rise of the unemployment rate in the non-seasonal group, but observers outside the labor unions did not take the situation seriously.

The government was wholly absorbed in the problem of reparations. This was a purely political, rather than economic, question. Germany actually was paying less in reparations than she was receiving in credits and loans from the Allies. Now, however, contraction of foreign trade made it hard for Germany to make even trivial reparation payments, as required by the Dawes Plan, to the creditor nations. Chancellor Brüning demanded and obtained a revision of the Plan. Many German politicians, elated by this success, concluded that the depression was helping their country to free itself of the shame of the Versailles Treaty. I considered the situation increasingly serious, however, and prepared for the board a series of charts and tables showing the trend of unemployment in the nation. One fifth of the union members were out of work and no improvement was in sight. I explained that the German economy was caught in a deflationary spiral of wages and prices, production and employment. A heated discussion followed. Union presidents agreed that the situation was alarming, but Otto Wells, the president of the S-D party, was highly displeased with my paper. He was a stout, tall man with enormous hands, an enormous neck, a double chin, and small eyes under a very low forehead. Although not very bright, he was a man of goodwill, respected in the